

Unlocking the Value of Nature Through Partnership, Technology and Finance



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Approximately 50% of global GDP is dependent in some shape or form on nature, but as nature is being depleted we face the loss of an estimated \$10 trillion worth of economic reward by 2050¹. At Morgan Stanley's inaugural Sustainable Finance Summit, Navindu Katugampola, Global Head of Sustainability at Morgan Stanley Investment Management, spoke with Nik Sekhran, Chief Conservation Officer of the World Wildlife Fund at a panel moderated by Courtney Thompson, Head of Products & Solutions Global Sustainability Office. Among the topics discussed was the role of investors, asset managers and coalitions in encouraging efforts to make sure nature is valued as it should be.

To Protect Nature, Make it Investible

Experience shows that unless you try to attribute a value to nature, it's considered worthless or artificially cheap and depleted accordingly. A challenge for the private sector is to make the value of nature investible enough to generate a return in a way that reflects the necessary risk and scale. Nature provides trillions of dollars in value to the global economy right now, but it is mostly unpriced, creating a market problem.

Seek Areas of Financial Materiality

Much like with other key indicators, investors should understand the intersection between natural capital and financial materiality, particularly the inputs and dependencies in the existing and proposed business models. It's also critical for CEOs to understand the risk and opportunities of their balance sheets that are determined by natural capital.

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¹ WWF, "Global Futures, "Assessing the global economic impacts of environmental change to support policy-making," February 11, 2020.

Unlocking the Value of Nature Requires Coalitions

The private sector will need to work with governments to meet the gap between what is needed and what is being invested. Historically, most funding for nature-based solutions comes from the public sector. We are seeing some new innovations around public-private partnerships, and benefits in related areas like carbon markets. We believe we are going to need to blend finance, public and private sector efforts, and domestic and international resources with the mission of addressing the challenge in order to accelerate progress.

Related Models May Serve as a Guide

Models are being developed in the market that illustrate how risk and opportunity could be scaled, such as debt-to-nature swaps, converting debt into local currency and using proceeds to fund conservation activities. Another product of interest is nature impact bonds, which are issued into the market with a return generated on the back of a conservation project based on carbon credits.

Scale and Messaging Will be Challenges

Incorporating nature protection into the financial markets present several hurdles. One of these is scalability. The carbon market seems like a blueprint that could be used for nature-based solutions, but right now that's small in comparison to what we need for this. We don't have the time to start a market and scale it up. In addition, nature credits carry a different message than carbon offsets. Since nature credits are inherently the right to destroy nature, it's a visible symbol with a negative connotation that may hinder its acceptance.

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